SIKKIM

GOVERNMENT GAZETTE

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FINANCE, REVENUE & EXPENDITURE DEPARTMENT
GANGTOK

No. 04/ Fin/Acctt **Dated: 25.04.2005**

NOTIFICATION

SCHEME FOR CONSTITUTION AND ADMINISTRATION OF THE GUARANTEE REDEMPTION FUND OF GOVERNMENT OF SIKKIM.

Short title and . commencement.

1. (1) This Scheme may be called the Sikkim Guarantee Redemption Fund Scheme, 2004-05.

(2) It shall be deemed to have come into force with effect from 1 st April 2005.

Constitution of the Fund.

2. A "Guarantee Redemption Fund" shall be constituted by the Government of Sikkim for meeting its obligations arising out of the Guarantees issued on behalf of State level bodies. The Fund shall be Constituted in the Public Account classified under the head "8235 - General and Other Reserve Funds 117 - Guarantee Redemption Fund" in the Public accounts of the Government.

Objective of the Fund.

3. The Fund shall be utilized for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Undertakings or other bodies and stand invoked by the beneficiaries.

Explanation:

(a) The accumulations in the Fund shall be utilized only towards the payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf guarantee was issued.

(b) The Fund shall not be utilized for any purpose other than the one stated at (a) above.

Contributions to the Fund.

4. The fund shall be set up by the Government with an initial contribution of Rs. 1.72 Crore. The balance in the Fund shall be increased with contributions made annually or at lesser intervals so as to reach the level deemed sufficient to meet the amount of anticipated guarantees devolving on the Government as a result of the likely invocation of outstanding guarantees in the preceding 5 years. During each year the Government

shall contribute an amount equivalent atleast to 1/5th of the outstanding invoked guarantees plus an amount likely to be invoked as a result of the incremental guarantees issued during the year. It is open to the Government to increase the contributions to the Fund at its discretion.

In order to enable transfer of the total amount of contribution to theFund, the Finance Revenue & Expenditure Department shall make suitable Budget provision on the expenditure side of their budget under the head "2075- Miscellaneous General Services - 797 - Transfer to/from Reserve Fund & Deposit Accounts - Guarantee Redemption Fund".

Relationship of the Fund with General Revenues/Public Account.

5. (a) The corpus of the fund comprises an initial amount demarcated by the Government, annual or other contributions made by the Government thereto as also periodic accretions by way of Guarantee Commission collected from the institutions in respect of whose bonds/obligations, the State Government had issued the guarantee in addition to the income accruing to the Fund.

(b) The Fund shall be kept outside the General Revenues of the Government and shall be utilized only in the manner prescribed in this Scheme.

Administration of the Fund.

6. The Fund shall be administered by the State Bank of Sikkim (hereinafter referred to as the "Bank") only subject to such directions/instructions as the Government may issue from time to time.

Investment of the Corpus of the Fund.

7. The accretions to the Fund together with the income earned on the investment of the Fund shall, till instructions are issued to the contrary, if any, be invested in fixed deposit and as per the arrangement made with the State Bank of Sikkim/ Instructions of such maturities as may be determined by the Government from time to time.

Accounting of Transactions.

8. (a) The responsibility for the administration of the Fund will rest with Finance, Revenue & Expenditure Department. Finance, Revenue & Expenditure Department will decide all matters connected with the investment of the corpus of the Fund, reinvestment/disinvestment, obligations and applications of the Fund, etc.

(b) In order to enable transfer of total amount of contribution to the fund, Finance, Revenue and Expenditure Department would be required to make suitable Budget provision in the revenue expenditure under the M.H.- 2075 Miscellaneous General Services- 797 Transfer to/from Reserve Fund and Deposit Account "Guarantee Redemption Fund"

(c) Before closing of Financial Year, the Finance, Revenue & Expenditure Department should send an advice to the Accountant General's Office for transferring the fund from 2075 Miscellaneous General Services - 797 - Guarantee Redemption Fund to 8235 - General and Other Reserve Funds -117 - Guarantee redemption Fund. (Dr.2075- 797 & Cr. 8235- 117)

(d) On receipt of advice, Accountant General's will act accordingly by transferring the contribution to the fund.

(e)The provision for expenditure on account of the Guarantee Redemption will be made in the budget of the State Government under the M.H.- 2075 Miscellaneous General Services - 800 other Expenditure, Payment of Guaranteed value invoked. Only the actual amount of guarantee Redemption expenditure shall be brought under this head. In case a guarantee is invoked, the amount will be paid by diverting the equal amount from the budget provision under revenue account. But the amount is required to be realized from the defaulting organization. So the amount need to be sanctioned as loan to the organization with an interest equal to the original loan available by the organization. This expenditure will be booked by the Accountant General's Office in the same process as is existing now. Before closing of the Accounts Finance, Revenue & Expenditure Department after proper reconciliation of amount booked by Accountant General's Office will advice him for transferring the amount with contra debit to 2075- Miscellaneous General Services --901 Deduct amount met from Guarantee Redemption Fund and debit to M.H. 8235 -General and Other Reserve Fund- 117- Guarantee Redemption Fund.

(f) On receipt of advice, Accountant General's Office will act accordingly and will send intimation to Finance, revenue & Expenditure Department.

(g) On Receipt of instruction from the Finance, Revenue & Expenditure Department the Bank (S.B.S.) will immediately arrange to make necessary investment. The bank would then send the scroll to the Finance, Revenue & Expenditure Department about the debit of the investment classifying it under the head 8235 - General and Other Reserve Fund - 120 - Guarantee Redemption Fund - Investment Account under intimation to Accountant General Sikkim. On receipt of the debit scroll from bank the Finance, Revenue & Expenditure Department would make necessarry arrangement for incorporating the same in the monthly Accounts to be submitted to Accountant General's office Subsequently.

(h)The bank will arrange to collect interest on these investments and credit the same to the fund on the due date. Further, the interest would require to be invested as in the case of the contributions by the Government i.e. in accordance with the investment norms prescribed in this notification. Only maturity of investment, the proceed will be collected and credited to the account of the Government or re-invested on the basis of instruction received from the Government of Sikkim.

Functions of the bank managing the Fund.

9. (a) The Bank will be guided by the directions of the Government in all matters concerning the investment/ re-investment reallocation /withdrawals from time to time of the Fund and will act accordingly.

(b) The Bank would arrange to raise a debit to the account of the Government maintained with it as per the schedule of contributions set out in paragraph 4.

(c) The contributions to the fund shall be invested by the Bank as per the arrangement made" as indicated in para 7. The periodic accretion to the Fund by way of guarantee commission, contributions by the Government and interest income shall also be invested in a similar manner.

(d) The withdrawals may be made from out of the balance accumulated in the Fund upto the date towards the redemption of the guarantees invoked and to be paid

by the Government as per its directions.

Account and Audit. 10. The accounts of the Fund and the investments shall be maintained by the Accountant General of the State in the normal course. The Finance, Revenue and Expenditure Department will maintain subsidiary accounts in such manner and details as may be considered by the Government in consultation with the Accountant General.

Savings. 11. The Finance, Revenue & Expenditure Department shall issue instructions relating to the provisions of the Scheme as may be considered from time to time to enable smooth functioning of the Scheme.

Removal of difficulties. 12. In case of any difficulty in the operation of any provision of the Scheme, the Government may, if satisfied, relax the provisions.

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